

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of DOC/TAM's FY 2004
Proposed Budget and Surcharge
Recommendation

ISSUE DATE: June 16, 2003

DOCKET NO. P-999/CI-03-491

ORDER APPROVING PROPOSED
BUDGET, INCREASING THE
SURCHARGE, AND REQUESTING
REPORT

PROCEDURAL HISTORY

On March 26, 2003, the Commission accepted DOC/TAM's CY 2002 Annual Report. At that time, TAM's financial report showed a projected fund balance of \$1.8 million as of June 30, 2003.

On May 14, 2003, DOC/TAM filed its FY 2004 budget and surcharge recommendation. DOC/TAM requested approval of an increase in the surcharge from 10 cents to 13 cents per month for each wired and non-wired subscriber line effective on or after July 1, 2003.

The Commission met on June 5, 2003, to consider this matter.

FINDINGS AND CONCLUSIONS

I. Background

In 1987 the Minnesota Legislature passed legislation creating the Telecommunications Access for Communication Impaired Persons (TACIP) Board for the purpose of making the telephone network in Minnesota accessible to communication impaired persons. Since 1995, the DOC has had responsibility for administration of the program. Effective August 1, 2002, the TACIP program name was changed to Telecommunications Access Minnesota (TAM).

Two programs were established to make the telephone network accessible to communication impaired persons: the Minnesota Relay Service, and the Telephone Equipment Distribution (TED) Program (formerly known as the Equipment Distribution Program). Responsibility for the Minnesota Relay program currently lies with the Department of Commerce (DOC), while the Department of Human Services (DHS) is responsible for the TED program.

The TED program provides the specialized telecommunications equipment required for eligible deaf, hard-of-hearing, speech-impaired and mobility-impaired persons to have access to the telecommunications network. Minnesota Relay, on the other hand, allows communication between a person using a telephone device for the deaf/teletypewriter (TTD/TTY) and any other telephone user.

Since 1996, outside organizations staff and equip the Minnesota Relay system. ¹

II. FY 2004 Budget Proposal

DOC/TAM proposed a budget of \$7.362 million for FY 2004. This is a reduction of \$0.524 million or (-6.6%) from the FY 2003 budgeted amount of \$7.886 million.

The main components of the FY 2004 Budget, with comparative figures for the previous year, are:

| | <u>FY 2003 Proposal</u> | <u>FY 2003 Proj Actual</u> | <u>FY 2004 Proposal</u> | <u>Increase in Budgeted Amt</u> |
|---------------------------|-------------------------|----------------------------|-------------------------|---------------------------------|
| TAM Administration | \$ 199,750 | \$ 183,301 | \$ 223,850 | \$ 24,100 |
| TED - | \$ 1,700,751 | \$ 1,628,500 | \$ 1,557,157 | -\$143,594 |
| MRS - | \$ 5,300,000 | \$ 5,300,000 | \$ 5,300,000 | 0 |
| Consumer Relations - | \$ 384,859 | \$ 340,000 | \$ 280,956 | -\$103,903 |
| Captioned Telephone Trial | <u>\$ 300,570</u> | <u>\$ 300,750</u> | <u>-</u> | <u>-\$300,570</u> |
| Total | \$ 7,885,930 | \$ 7,752,371 | \$ 7,361,963 | -\$523,967 |

III. The Surcharge Proposal

DOC/TAM recommended that the surcharge amount be increased to \$0.13 per month for each wired and non-wired telephone subscriber line in Minnesota. Based on this proposal, DOC/TAM estimated a fund balance of \$1.4 million at the end of 2004.

This proposal anticipated maintaining a fund balance necessary to operate TAM programs for a period of two months. For FY 2004, projected TAM operating expenses for a two month period would be approximately \$1,227,000.

¹ Communication Services for the Deaf (CSD) provides the Minnesota Relay Service management. Sprint Communications Company (Sprint) provides the facilities and access to its telecommunications network.

IV. Revenue

DOC/TAM stated that surcharge revenue continued to decrease in FY 2003 due to the reduction in the surplus amount and an apparent decrease in the number of Minnesota wired and non-wired telephone access lines.

In FY 1999 the TAM surcharge was reduced from \$0.17 to \$0.12 in an effort to reduce a TAM fund surplus. In FY 2002, the surcharge was reduced to \$0.10 per access line to continue the surplus reduction. DOC/TAM indicated that as a result of the surplus reduction, TAM's surcharge revenues were under-collected for the past five fiscal years.

Further, DOC/TAM indicated that the projected actual number of access lines in Minnesota subject to the TAM surcharge decreased by approximately 12 percent (591,882 access lines) from FY 2002 to FY 2003. DOC/TAM estimated a one percent decrease in access lines for FY 2004, unless there was a significant rebound in the economy.

DOC/TAM stated that because no reliable data seems to be available regarding how many wired and non-wired telephone subscriber lines are projected to be assessed a surcharge in 2004, it was difficult to project surcharge revenues for the upcoming fiscal year. Taking into account current economic trends and the decline in the number of access lines in FY 2003, TAM estimated the number of telephone access lines in 2004 to be approximately 4,478,952.

The Department of Administration, however, projected increasing line counts for FY 2003 and 2004.

At the meeting before the Commission, DOC/TAM argued that its recommendation for a surcharge increase was based on using actual TAM revenues received from July 2002 to February 2003 to determine the aggregate number of paying wired and non-wired subscriber lines. Further, DOC-TAM raised the issue of possible undercollection of the surcharge and the possibility of an investigation into this matter.

V. Commission Action

The Commission has reviewed DOC/TAM's FY 2004 budget and revenue proposal and finds it reasonable. Although TAM's budget includes reduced spending in several areas, without a surcharge increase expenditures will outpace revenues. The DOC/TAM's recommendation, based on actual revenue received, is well considered and reasonable. For these reasons the Commission will approve the proposed budget and increase in the surcharge from 10 cents to 13 cents per month for each wired and non-wired telephone subscriber line.

Due to the concern raised by DOC/TAM that there may be subscriber lines that are not paying into the fund, the Commission will request that the DOC and the Department of Administration cooperate in an investigation of the possible undercollection of the surcharge and report the preliminary results of their investigation to the Commission. The Commission will accept DOC/TAM's offer to complete the report within 120 days of this order.

ORDER

1. The Commission approves DOC/TAM's budget proposed for FY 2004 and DOC/TAM's proposal to increase the surcharge from 10 cents to 13 cents per month.
2. All wired and wireless local telephone service providers shall implement the surcharge effective August 1, 2003.
3. The Commission encourages the Department of Commerce and the Department of Administration to cooperate on investigating and reporting, within 120 days, on the matter of the possible undercollection of the surcharge.
4. Local exchange carriers shall file revised tariffs reflecting any change in the surcharge.
5. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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